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Press Release

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Sri Lanka Prosperity Index 2015

The prosperity, measured by the Sri Lanka Prosperity Index (SLPI)¹, which is a composite indicator that measures and compares the level of prosperity of the country and across its provinces, has improved to 0.864 in 2015 from 0.804 in the previous year. Analyzing the movements in 2014-2015 period, the SLPI improved along with the improvements in Economy and Business Climate and Well-being of the People sub-indices, while there is a moderation in Socio-Economic Infrastructure sub-index.

Table 1: SLPI and Sub-Indices 2014 - 2015

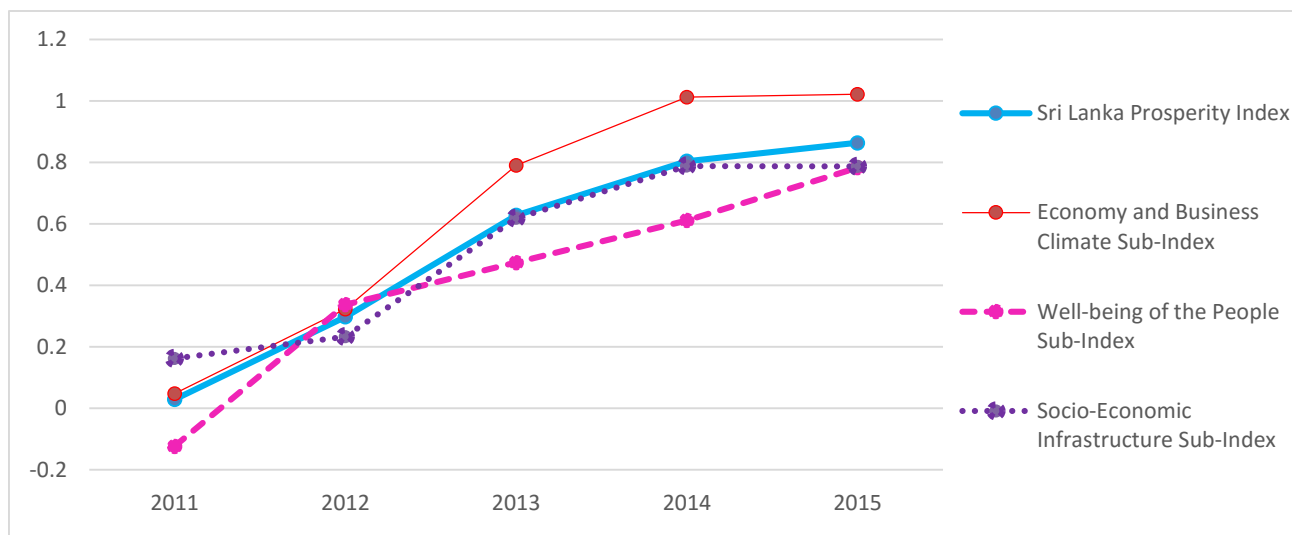
Year	Sri Lanka Prosperity Index	Economy and Business Climate Sub-Index	Wellbeing of the People Sub-Index	Socio-Economic Infrastructure Sub-Index
2014	0.804	1.012	0.611	0.788
2015	0.864	1.022	0.783	0.786

The improvements in per capita Gross Domestic Product, informal sector wages, industrial density and banking density have contributed towards the enhancement of the Economy and Business Climate sub-index. With regard to the sub-index of Well-being of the People, the improvements were mainly due to high performance in availability of healthcare facilities, availability & quality of education, wealth of people and

¹ The Sri Lanka Prosperity Index (SLPI) comprises of three sub-indices, Economy and Business Climate, Wellbeing of the People and Socio-Economic Infrastructure, which are measured using 42 representative variables reflecting the economic and social progression of provinces.

availability & usage of entertainment facilities. The moderation of the Socio-Economic Infrastructure sub-index was led by moderate levels of government expenditure for road development and availability of transport facilities as a whole. However, the aspects of availability of electricity, telecommunication facilities and crime free environment of Sri Lanka have shown marginal improvements within the Socio-Economic Infrastructure sub-index during 2014 – 2015 period.

Figure 1: Sri Lanka Prosperity Index and Sub-Indices² 2011 – 2015



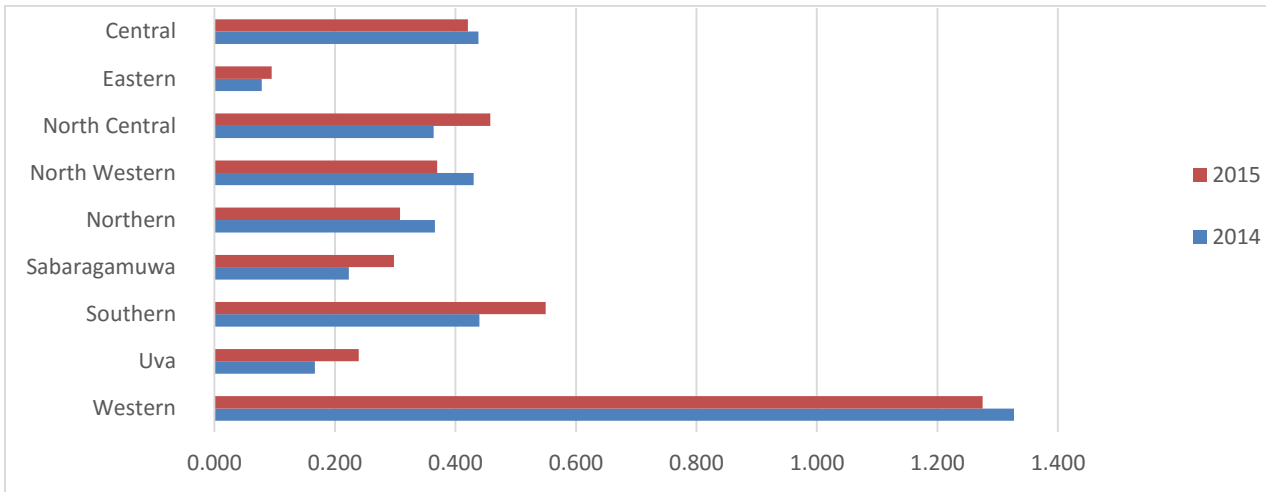
The SLPI and all its sub-indices demonstrate increasing trends over the last five years. While the Well-being of the People sub-index trends smoothly to reflect the improvements, trends in the SLPI and the other two sub-indices reflect some moderation in recent years. During the period 2014 - 2015, Well-being of the People sub-index has increased faster than Economy and Business Climate sub-index and Socio-Economic Infrastructure sub-index.

Provincial Prosperity

Continuing the recent trends in prosperity, the Western province is leading with highest value of overall provincial index of 1.275 driven mainly by maintenance of higher standards in the Economic and Business Climate sub-index. The Southern province managed to maintain its second position in 2015 with the highest contribution coming from the Well-being of People sub-index. The improvement in rank by three positions in the North Central province was noticeable in 2015 due to improvements in all three sub-indices. In the Central, North Western and Northern provinces, which are at 4th, 5th and 6th positions respectively, changes in rank by a single position could be observed due to relative performance of sub-indices compared against other provinces. In the provinces Sabaragamuwa, Uva and Northern, despite the increases in index values, relative ranking positions remained unaffected in 2015. The performance of provinces are detailed in Figure 2 and Table 2.

² The index values are compiled by standardizing each and every variable, closely following the Legatum Prosperity Index methodology. Therefore sign of an index value implies its positive or negative deviation compared to the respective mean. Thus the negative values in the index do not imply that the prosperity levels are negative.

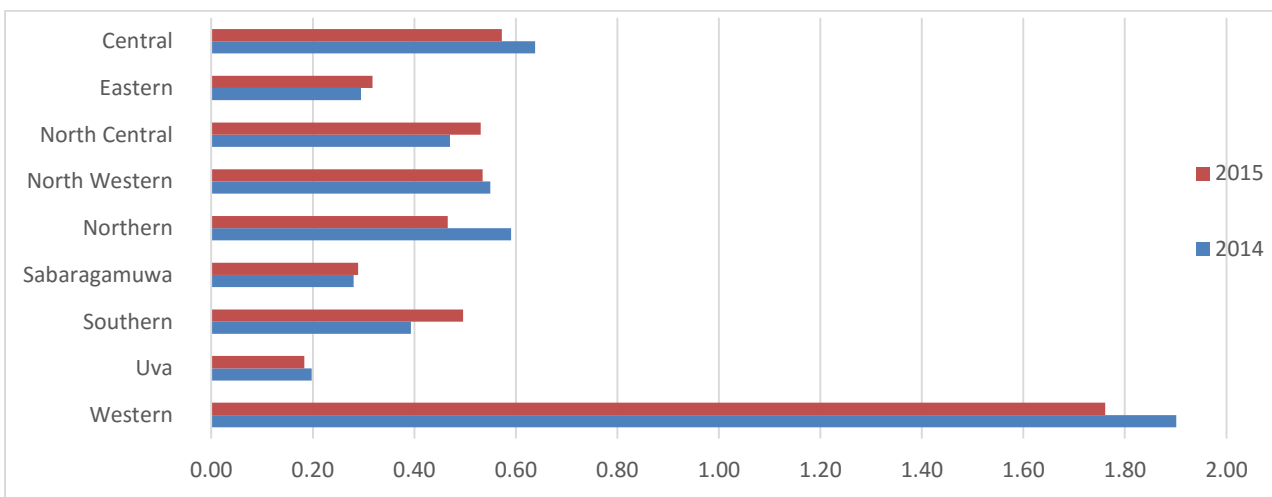
Figure 2: Prosperity Index 2014 - 2015



Economy and Business Climate Sub-Index

Analyzing the movements in Economic and Business Climate sub-index, with respect to the provincial performances, the Western province retained its foremost position followed by Central and North Western provinces. Higher standards observed in the aspects of living standard, poverty, price stability, formal sector employment and industrial density are among the main drivers of the high performance of the Western province. While other provinces have either remained unchanged or improved their positions, a change in rank by three positions is observed in the Northern province due to low performance in areas of living standard, poverty and industrial density, compared to other provinces in 2015. The performance of provinces within Economic and Business Climate sub-index are detailed in Figure 3 and Table 2.

Figure 3: Economy and Business Climate Sub-Index 2014 - 2015

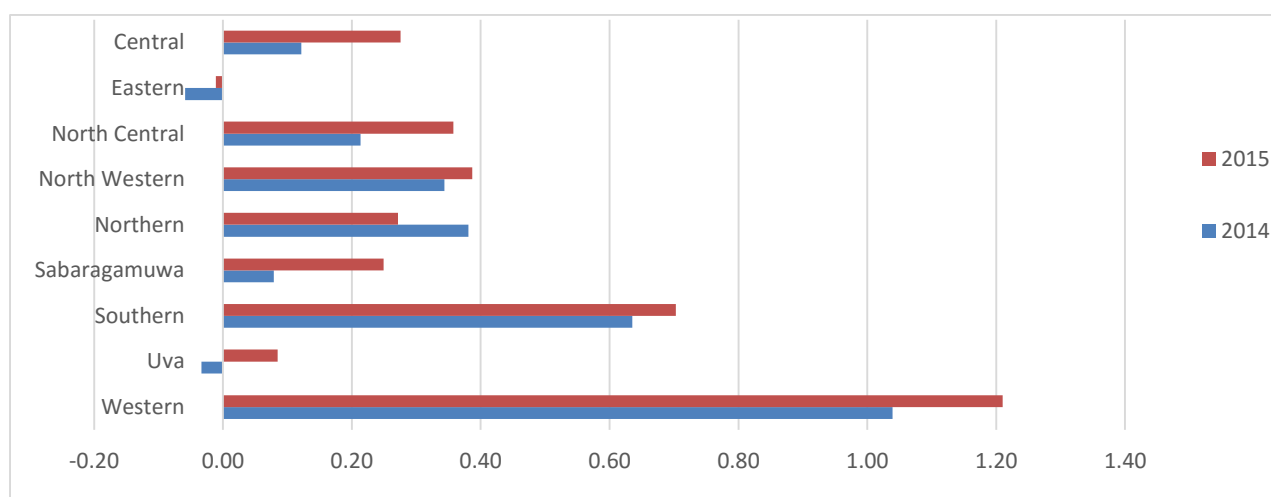


Well-being of the People Sub-Index

Well-being of the People sub-index of the Western province, retained its foremost position while the Southern province managed to safeguard its ranking as the second best performer. The index of Western province was enhanced compared to the other provinces primarily because of the positive impact from areas of availability of education facilities, quality of available education facilities, wealth and availability &

usage of entertainment facilities. Northern province being an exception, the rankings of all the other provinces did not vary significantly even with increases in index points. Performance of the Northern province within the Well-being of People sub-index was moderated by the aspects of availability of education facilities, wealth and availability & usage of entertainment facilities, compared to other provinces in 2015. The performance of provinces within Well-being of the People sub-index are detailed in Figure 4 and Table 2.

Figure 4: Well-being of the People Sub-Index 2014 – 2015



Socio-Economic Infrastructure Sub-Index

Western province retained its highest contribution to the Socio-Economic Infrastructure sub-index among all the provinces. The higher levels in availability of electricity, telecommunication facilities, road coverage, transport facilities and Information and Communication Technology (ICT) facilities contributed to the leading performance in the Western province. Southern and Uva provinces have significant improvements while those of Central and North Western provinces have declined in provincial positions in this sub-index. The sub-index value of the Eastern province has become slightly negative in 2015 owing to comparatively low levels of availability of electricity, telecommunication, transport and sanitation facilities. The performance of provinces within Socio-Economic Infrastructure sub-index are detailed in Figure 5 and Table 2.

Figure 5: Socio-Economic Infrastructure Sub-Index 2014 - 2015

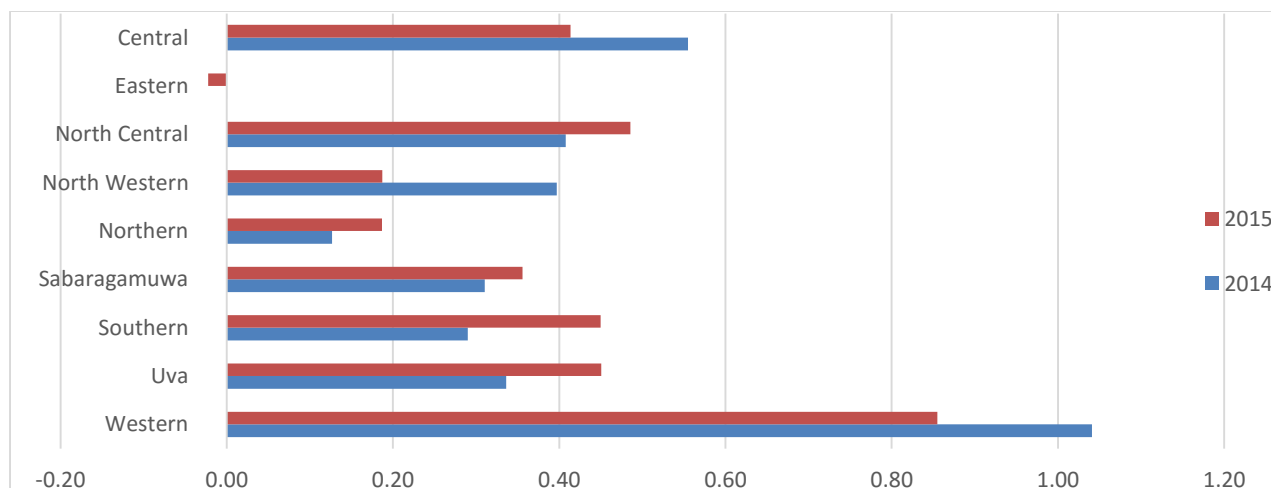


Table 2: Index values of overall prosperity index and sub-indices with their provincial ranks

Index and Province	Index Value		Provincial Rank	
	2014	2015	2014	2015
Overall Prosperity Index				
Central	0.438	0.420	3	4
Eastern	0.079	0.095	9	9
North Central	0.364	0.458	6	3
North Western	0.430	0.370	4	5
Northern	0.366	0.308	5	6
Sabaragamuwa	0.223	0.298	7	7
Southern	0.440	0.550	2	2
Uva	0.167	0.240	8	8
Western	1.327	1.275	1	1
Economy and Business Climate Sub-Index				
Central	0.638	0.572	2	2
Eastern	0.295	0.318	7	7
North Central	0.470	0.531	5	4
North Western	0.550	0.535	4	3
Northern	0.591	0.466	3	6
Sabaragamuwa	0.280	0.289	8	8
Southern	0.394	0.496	6	5
Uva	0.198	0.183	9	9
Western	1.901	1.761	1	1
Well-being of the People Sub-Index				
Central	0.122	0.275	6	5
Eastern	-0.059	-0.011	9	9
North Central	0.214	0.357	5	4
North Western	0.344	0.387	4	3
Northern	0.381	0.272	3	6
Sabaragamuwa	0.079	0.249	7	7
Southern	0.635	0.703	2	2
Uva	-0.033	0.085	8	8
Western	1.039	1.210	1	1
Socio-Economic Infrastructure Sub-Index				
Central	0.555	0.414	2	5
Eastern	0.000	-0.023	9	9
North Central	0.408	0.486	3	2
North Western	0.397	0.187	4	7
Northern	0.127	0.187	8	8
Sabaragamuwa	0.310	0.356	6	6
Southern	0.290	0.450	7	4
Uva	0.336	0.450	5	3
Western	1.041	0.855	1	1

Technical Note:

The Index

The Sri Lanka Prosperity Index (SLPI) is a multi-dimensional indicator which is compiled by the Central Bank of Sri Lanka. The SLPI is categorized into three sub-indices which consist of 42 variables. The sub-indices are Economy and Business Climate sub-index, Well-being of the People sub-index and Socio-Economic Infrastructure sub-index. All the sub-indices have equal weights in the SLPI and each variable bears an equal weight within the sub-index it belongs to.

The Economy and Business Climate sub-index is compiled using 9 variables categorized into the aspects of living standard, employment, income, poverty, price stability, sector wise employment, industrial density and banking density. In compiling the Well-being of the People sub-index, 22 variables pertaining to the aspects availability of healthcare facilities, availability of education facilities, quality of available education facilities, wealth, availability & usage of entertainment facilities, air quality and purity of environment are used. In Socio-Economic Infrastructure sub-index includes 11 variables and the relevant aspects are availability of electricity, availability of telecommunication facilities, availability of road coverage, crime free environment, availability of transport facilities, availability of safe drinking water, quality of pipe borne water, availability of ICT facilities and availability of sanitation.

Methodology

A new methodology which closely follows the Legatum Prosperity Index's methodology, i.e., standardizing the data to bring all of the variables into proportion with one another, instead of normalizing the data, has been adopted in compilation of SLPI from 2014.